



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

July 17, 2001

**H.R. 2187**

**A bill to amend title 10, United States Code, to make receipts collected from mineral leasing activities on certain naval oil shale reserves available to cover environmental restoration, waste management, and environmental compliance costs incurred by the United States with respect to the reserves**

*As ordered reported by the House Committee on Resources on June 27, 2001*

**SUMMARY**

CBO estimates that enacting H.R. 2187 would increase direct spending by about \$23 million over the 2002-2011 period, primarily for cleanup costs at an oil shale retorting facility in Colorado. Spending under the bill could be lower than that amount, however, depending on the environmental cleanup option selected by the Department of the Interior. Because the bill would affect direct spending, pay-as-you-go procedures would apply. H.R. 2187 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. Enacting this legislation probably would benefit the state of Colorado.

H.R. 2187 would amend current law to allow the Secretary of the Interior to spend certain mineral receipts from two naval oil shale reserves in Colorado to study the environmental cleanup costs at an oil shale retorting facility that was formerly operated by the federal government within one of those reserves. The bill would direct the Secretary to report the results of the study to the Congress, outline a preferred alternative for addressing environmental contamination at the site, and estimate the cost of that preferred alternative. Under H.R. 2187, if the estimated cost of the cleanup project is less than the mineral receipts available under the bill, the Secretary could spend the mineral receipts, without further appropriation, to implement the preferred alternative.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2187 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

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	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
<b>CHANGES IN DIRECT SPENDING</b>						
Estimated Budget Authority	0	2	0	20	0	0
Estimated Outlays	0	1	1	7	6	3

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### BASIS OF ESTIMATE

CBO estimates that enacting H.R. 2187 would increase direct spending for environmental analyses and cleanup by \$22 million over the 2002-2011 period. We also estimate that the bill would increase direct spending by \$1 million in 2011 for payments of certain mineral receipts to Colorado. (Additional payments would continue after 2011, while the reserves continue to produce mineral resources.) For this estimate, CBO assumes that H.R. 2187 will be enacted by the start of fiscal year 2002. Estimates of outlays are based on historical spending rates for similar activities.

### Environmental Analyses and Restoration

H.R. 2187 would authorize the Secretary of the Interior to spend up to \$1.5 million from mineral receipts identified in the bill to study the extent of contamination from the retorted oil shale pile at Anvil Points in Colorado. The bill would direct the Secretary to report to the Congress on the study's findings and the estimated cost of the Bureau of Land Management (BLM) plan for cleaning up the site. Based on information from BLM, we estimate that the agency would spend \$1.5 million for these activities during the 2002-2003 period.

Within 60 days of submitting the report, H.R. 2187 would authorize the Secretary to spend, without further appropriation, additional receipts necessary to implement the preferred plan, provided that its estimated cost does not exceed the mineral receipts that are available for obligation at that time. Based on information from BLM, CBO expects that the agency would submit its report by the start of fiscal year 2004. According to BLM, the agency is considering several preliminary cleanup options with estimated costs ranging from about \$1 million to \$20 million. The most expensive option involves transporting waste to an offsite disposal facility, and is considered the most effective remedy by BLM.

Because the extent of environmental damage at the site is unknown, the cost of BLM’s cleanup plan is uncertain. Based on information from BLM regarding anticipated levels of natural gas production from the reserves, we estimate that after the costs of the study and report have been covered, remaining mineral receipts identified in the bill will total \$20 million by 2004, when we expect the cleanup project could begin. We estimate that enacting H.R. 2187 would increase direct spending for environmental cleanup by \$20 million over the 2004-2011 period. If BLM is able to develop a suitable and a less costly cleanup alternative, the direct spending cost to implement this provision would be reduced.

### **Receipt-sharing Payments to Colorado**

Under current law, mineral receipts generated by the reserves identified in H.R. 2187 cannot be shared with the state of Colorado until the Secretaries of the Interior and Energy certify that cumulative receipts are sufficient to offset the costs of the environmental cleanup projects and the Department of Energy’s (DOE’s) costs to install and operate several gas wells within the reserves. According to DOE, it spent about \$38 million to develop these wells. Based on information from BLM regarding the anticipated level of annual receipts from the reserves in the future, CBO expects that the Secretaries’ certification would occur during 2011, and that \$1 million would be paid to Colorado in that year. Additional payments would continue after 2011, while the reserves continue to generate mineral receipts.

### **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	1	1	7	6	3	3	1	0	0	1
Changes in receipts											Not applicable

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 2187 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Enacting this legislation probably would benefit Colorado by allowing the state to begin receiving a share of the receipts from the leases earlier than under current law.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill contains no new private-sector mandates as defined in UMRA.

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